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January 31, 1956

EDAC Working Group III, Economic Defense Policy & Planning

Revision of January 9, 1956 Memorandum

MEMORANDUM

TO: Chairman, Economic Defense Advisory Committee
THROUGH: Chairman, Executive Committee
FROM: Chairman, Working Group III
SUBJECT: Work Program for Working Group III with Regard to U. S. Policy on Soviet bloc Economic Penetration Activities in the Free World

Problem

To define the role of the economic defense community and particularly the responsibilities of Working Group III in the development and coordination of U. S. policy with regard to Soviet bloc economic penetration activities in the Free World.

Discussion

1. In the first half of 1955, EDAC Working Group 5 (predecessor of Working Group III) prepared general policy papers for use in the Operations Coordinating Board (OCB) and the Council on Foreign Economic Policy (CFEP) with respect to U.S. policy on economic penetration of underdeveloped areas by the Soviet bloc. Staff Study No. 12, prepared for the CFEP presentation, set forth certain suggested courses of action. These were generally endorsed interdepartmentally and were reflected in the correlative redraft of the governing NSC directive on economic defense (NSC 152/3). This statement of national policy has not been formally approved by the CFEP or NSC; the 1953 policy directive (NSC 152/3) consequently remains in force.

2. Pursuant to the CFEP review, the Executive Committee of EDAC designated Working Group 5 to maintain a general continuing examination of the need for action by responsible EDAC agencies in this matter. At its

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meeting in September 1955, Working Group 5 requested the Office of Intelligence Research (OIR) in State to prepare two area and two or three commodity studies to provide additional up-to-date data for the Working Group's examination. Those studies are nearing completion.

3. The continuing expansion of Soviet bloc foreign economic penetration activities has made it increasingly imperative that the 1953 statement of U. S. policy in this respect be brought up to date. The need exists independent of the numerous policy reviews of U. S. foreign economic policy and aid programs being undertaken elsewhere. Such concurrent general reviews--whether in OCB, NSC or other interagency forums--do not relieve the economic defense community of the need for reviewing Soviet bloc foreign economic penetration activities and related U. S. policies in the context of directives under which EDAC operates.

4. The recommendations below are designed to establish a work program for Working Group III.

The major assignment is to undertake a review of the pertinent sections of NSC 152/3 in the light of the above-mentioned circumstances. This review would be expected to produce revised statements of Paragraph 13 of the General Considerations; Paragraphs 19b, c; Paragraphs 32, 33, 34 and 36 of the General Objectives; and other appropriate related paragraphs.

Thorough consideration would be given to the agreed interagency recommendations for revision contained in the "Comparative Draft of Revised Statement of Policy on Economic Defense" (Prepared for CFEF, July 1955). The new revision, however, must necessarily be independent and must reflect the recent developments.

It would be intended that the recommendations for restatement of the pertinent sections of NSC 152/3 would be passed through EDAC channels to the CFEF and presented as a fulfillment of the Council's outstanding request. CFEF would be requested to forward the recommendations for NSC consideration.

Recommendations

1. Working Group III shall maintain arrangements for the systematic and continuing flow to it of collated and analyzed data on the Soviet bloc economic activities in the Free World, including such special studies concerning particular problems as may be found necessary.

2. (a) Working Group III shall maintain under review the national policy directives which place responsibility on the economic defense community with regard to Soviet bloc economic penetration activities in the Free World.

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(b) In discharging the function under (a) above at the present time, Working Group III shall undertake the following review:

- (i) A new study of the current status and impact of Soviet bloc economic activities in Free World countries and correlative aspects of U. S. foreign economic programs as related to economic defense matters;
- (ii) A review of existing national policy directives to the economic defense community in NSC 152/3 on the subject of Soviet economic activities in the Free World and of the revision of the pertinent paragraphs proposed in the report to the Council on Foreign Economic Policy of July 5, 1955; recommendations based on this review should be forwarded to the Council on Foreign Economic Policy and thence to the NSC.

3. Working Group III shall undertake, to the extent of its abilities, active surveillance of Soviet bloc economic activities in the Free World, examining individual cases in the light of existing economic defense policy responsibilities to:

- (a) Determine the existence or threat of excessive reliance on the Soviet bloc as a trading partner; and
- (b) Where a determination may be made that such reliance exists or is threatened, recommend such courses of action as may appear appropriate.

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